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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of

Policy and Rules Concerning the Interstate
Interexchange Marketplace

Implementation of Section 254(g) of the
Communications Act of 1934, as Amended

CC Docket No. 96-61

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MAY 27 1999

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

COMMENTS OF THE PERSONAL COMMUNICATIONS INDUSTRY ASSOCIATION

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EXECUTIVE SUMMARY

PCIA requests that the Commission exercise its authority under Section 10 and forbear from applying rate integration to CMRS providers. PCIA provides herein detailed support that rate integration for CMRS providers is unnecessary to ensure that rates are just and reasonable and not unreasonably discriminatory, to protect consumers, or to serve the public interest. CMRS providers are competing head-to-head to establish market share. As such, they must devise and deploy new and ingenious CMRS offerings and innovative pricing plans. Unreasonable prices or practices would only deter consumers. The marketplace, therefore, is an effective watchman to ensure just and reasonable rates and to safeguard consumer interests.

Moreover, the Commission has ample safeguards in place, namely Sections 201, 202, and 208, to protect consumers from unreasonable rates and practices. Indeed, forbearance would further the public interest by preserving competition, promoting aggressive pricing, hastening the deployment of creative CMRS offerings, and reducing administrative and regulatory costs.

Nevertheless, should the agency ignore the competitive conditions in the marketplace and deny broad forbearance, at a minimum, it should forbear from applying rate integration to wide-area calling plans, across affiliates, or to airtime and roaming charges. There simply is no compelling reason to apply rate integration to these areas. Competition coupled with Commission safeguards are adequate to ensure that CMRS providers charge just and reasonable rates and engage in reasonable practices to the benefit of all consumers—all of which is in furtherance of the public interest.

Finally, the Commission should not require rate integration between cellular and broadband PCS services. These two classes of services are proving to be direct competitors, resulting in reduced prices and new service offerings for consumers. Imposition of rate

integration requirements across both cellular and broadband PCS would halt this trend by precluding providers of these two services from being able to offer consumers the diverse service offerings and pricing plans currently available in the marketplace.

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COMMENTS OF THE PERSONAL COMMUNICATIONS INDUSTRY ASSOCIATION

The Personal Communications Industry Association ("PCIA")¹ hereby submits these comments in response to the Further Notice of Proposed Rulemaking² issued in the above-captioned proceeding. PCIA respectfully requests that the Commission exercise its authority under Section 10 of the Act and forbear from applying rate integration requirements to CMRS

¹ PCIA is an international trade association created to represent the interests of the commercial and private mobile radio service communications industries. PCIA's Federation of Councils includes: the Paging and Messaging Alliance, the PCS Alliance, the Site Owners and Managers Association, the Association of Wireless Communications Engineers and Technicians, the Private Systems Users Alliance, the Mobile Wireless Communications Alliance. As the FCC-appointed frequency coordinator for the Industrial/Business Pool frequencies below 512 MHz, the 800 and 900 MHz Business Pools, the 800 MHz General Category frequencies for Business Eligible and conventional SMR systems, and the 929 MHz paging frequencies, PCIA represents and serves the interests of tens of thousands of licensees.

² *Policy and Rules Concerning the Interstate Interexchange Marketplace*, Further Notice of Proposed Rulemaking CC Docket No. 96-61 (rel. April 21, 1999) ("*Further Notice*").

providers. Should the Commission deny broad forbearance, PCIA, in the alternative, requests that the Commission, at a minimum, forbear from applying rate integration requirements: 1) to wide-area calling plans; 2) across affiliates; and 3) to airtime and roaming rates. In addition, the Commission should not require rate integration between cellular and broadband PCS services. As demonstrated below, the relief sought herein is essential to further competition amongst CMRS providers, lower prices, and foster the rapid deployment of new CMRS offerings into the marketplace.

I. INTRODUCTION

On August 7, 1996, the Commission adopted its *Rate Integration Order*,³ pursuant to Section 254(g), which requires providers of interstate, interexchange services to integrate their rates.⁴ This Order did not address the applicability of rate integration requirements to CMRS providers. The Commission, however, clarified this ambiguity in its July 30, 1997 *Reconsideration Order*,⁵ which specifically required that CMRS providers integrate their rates for interstate, interexchange services in all states in which they provide services.⁶ The

³ *Policy and Rules Concerning the Interstate, Interexchange Marketplace, Implementation of Section 254(g) of the Communications Act of 1934, as amended*, Report and Order, 11 FCC Rcd 9564 (1996) ("*Rate Integration Order*").

⁴ *Id.* at 9586-9599.

⁵ *Policy and Rules Concerning the Interstate, Interexchange Marketplace, Implementation of Section 254(g) of the Communications Act of 1934, as amended*, First Memorandum Opinion and Order on Reconsideration, 12 FCC Rcd 11812 (1997) ("*Reconsideration Order*").

⁶ *Id.* at 11818-11822.

Reconsideration Order also clarified that the Commission's rate integration rules apply across affiliates.⁷

On October 2, 1997, the Commission stayed application of its rate integration requirements to CMRS wide-area calling plans and its requirement that CMRS providers integrate their rates across affiliates pending further reconsideration.⁸ On December 31, 1998, the agency, after further reconsideration, affirmed its decision that Section 254(g) applies to CMRS providers; clarified that CMRS traffic within a major trading area is not interexchange traffic subject to rate integration requirements; and denied petitions for forbearance of rate integration requirements to CMRS providers.⁹

PCIA continues to urge Commission forbearance from applying Section 254(g) requirements to CMRS providers.¹⁰ The extensive record in this proceeding demonstrates that neither the express language of Section 254(g) nor the legislative history of this Section require

⁷ *Id.* at 11821.

⁸ *Policy and Rules Concerning the Interstate, Interexchange Marketplace and Implementation of Section 254(g) of the Communications Act of 1934, as amended*, Order, 12 FCC Rcd 15739 (1997).

⁹ *Policy and Rules Concerning the Interstate, Interexchange Marketplace, Implementation of Section 254(g) of the Communications Act of 1934, as amended*, Petitions for Forbearance, Memorandum Opinion and Order, CC Docket No. 96-61, FCC 98-347 (rel. Dec. 31, 1998). Petitions for Reconsideration have been filed. See Petition for Reconsideration of Nextel Communications, Inc. (filed Mar. 4, 1999). Petitions for court review also have been filed.

¹⁰ Although the Commission's statements regarding rate integration requirements discuss "CMRS operators," PCIA urges the Commission to clarify that rate integration requirements do not apply to paging or traditional SMR services. Most of the rates for these services are not distance sensitive. Instead, consumers pay for a "service" that does not have a separate price component based on the distance of a particular transmission.

the Commission to apply rate integration requirements to CMRS providers.¹¹ PCIA agrees with Commissioner Powell that the Commission should utilize this proceeding to develop a complete record as to whether forbearance from rate integration obligations is warranted for CMRS providers.¹² PCIA, accordingly, takes this opportunity to buttress the arguments raised in its *Petition*¹³ previously filed in this proceeding.

As demonstrated below, forbearance from rate integration is mandated for CMRS providers pursuant to Section 10 because these requirements are unnecessary to ensure that CMRS rates are just and reasonable and not unreasonably discriminatory, to protect consumers, or to further the public interest. Nevertheless, if the agency, despite the overwhelming support in the record for forbearance, denies broad forbearance, at a minimum, it must forbear from applying Section 254(g) to wide-area calling plans, across affiliates, and to airtime and roaming charges in light of the competitive forces in the CMRS marketplace. Finally, the Commission must not mandate rate integration between cellular and broadband PCS services, but continue to allow these two classes to compete head-to-head to the benefit of consumers.

II. THE COMMISSION SHOULD FORBEAR FROM APPLYING RATE INTEGRATION REQUIREMENTS TO CMRS PROVIDERS.

Under Section 10(a) of the Act, the Commission must forbear from applying any provision of the Act if the Commission determines that: (1) enforcement is not necessary to

¹¹ See Petition for Reconsideration and Forbearance of BellSouth Corporation at 5 (filed Oct. 3, 1997); Petition for Reconsideration of AirTouch Communications at 7-8 (filed Oct. 3, 1997); Petition for Forbearance of Bell Atlantic Mobile, Inc. at 7-8 (filed Oct. 3, 1997).

¹² See *Further Notice*, Separate Statement of Commissioner Michael K. Powell, at 1.

¹³ Personal Communications Industry Association Petition for Forbearance or Reconsideration, CC Docket No. 96-61 (filed Oct. 3, 1997) ("*Petition*").

ensure that rates and practices are just and reasonable and not unreasonably discriminatory; (2) enforcement is not necessary to protect consumers; and (3) forbearance is consistent with the public interest.¹⁴ In analyzing whether forbearance is in the public interest, Section 10(b) requires that the Commission consider whether forbearance will “promote competitive market conditions, including the extent to which such forbearance will enhance competition among providers of telecommunications services.”¹⁵ Below, PCIA provides detailed support that the foregoing three-prong test is satisfied, thus warranting forbearance from all Section 254(g) requirements for CMRS providers.

A. Enforcement Of Rate Integration Obligations For CMRS Providers Is Unnecessary To Ensure That Rates And Practices Are Just, Reasonable And Not Unreasonably Discriminatory.

As the Commission acknowledged in its *Third Annual CMRS Competition Report*,¹⁶ competition in the mobile telephony sector is growing tremendously, with 87 percent of the nation’s POPs having three or more operators providing mobile wireless service and over 68 percent of the nation’s POPs having four to six providers.¹⁷ This exponential growth in competition is due to the entrance of new competitors.¹⁸ Such competition has flourished in the

¹⁴ 47 U.S.C. § 160(a)(1-3).

¹⁵ 47 U.S.C. § 160(b).

¹⁶ *Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services* (rel. June 11, 1998) (“*Third Annual CMRS Competition Report*”); see The Broadband Personal Communications Services Alliance Of The Personal Communications Industry Association Petition For Reconsideration, WT Docket No. 98-100, at 7-10 (filed Sept. 10, 1998) (“PCIA Petition for Reconsideration”).

¹⁷ *Third Annual CMRS Competition Report* at 18.

¹⁸ *Id.* at 3.

absence of rate integration requirements, resulting in lower prices for consumers.¹⁹ Imposition of rate integration, therefore, is not necessary to ensure that rates are just and reasonable.

Accordingly, the Commission should continue to allow market forces to dictate prices for CMRS offerings.

B. Enforcement Of Rate Integration Obligations Is Not Necessary To Protect Consumers.

Rate integration requirements are unnecessary to protect consumers. In the absence of Section 254(g) requirements, domestic wireless subscribership increased almost 25 percent in 1998.²⁰ In fact, due to competitive conditions, rates for CMRS have fallen and countless new CMRS offerings have been introduced into the marketplace. Indeed, one survey demonstrates that major carriers changed their system-wide airtime pricing 1.57 times and their local airtime pricing an average of 11.86 times between April 1998 and March 1999,²¹ clearly showing that carriers are adjusting prices to react to competitive forces in specific markets. Consumers now expect innovative services and pricing plans and indeed have benefited tremendously from CMRS providers having the flexibility to tailor to consumer demand on a market-by-market basis.

Rate integration obligations would force carriers to curtail the availability of attractive CMRS packages and would slow the introduction of new service options and price reductions.

¹⁹ The Yankee Group, *Year-End 1998 Wireless Industry Update: The Impact of All-Inclusive Rates*, Vol. 6, No. 29 (Dec. 1998) ("*Yankee Group Study*").

²⁰ Heather Forsgren Weaver, "Wireless adds almost 14 million subscribers in 1998," RCR, at 3 (Apr. 5, 1998).

²¹ See Attachment 1.

Imposition of these obligations, therefore, is unnecessary to accomplish what is indeed already a reality—consumers everywhere are benefiting from the ability of wireless competitors to quickly introduce new packages and prices. CMRS operators clearly recognize this fact, as evidenced by their intense marketing efforts and diverse CMRS offerings. Forbearance from rate integration requirements would only further this trend. In the wireless marketplace where pricing is so volatile and dynamic, it would be difficult for wireless carriers to accommodate a system essentially designed for wireline carriers and tariff filings. The dynamic nature of the marketplace would inevitably change as carriers tried to analyze what rate integration obligation might attach to their proposed new offerings.

Moreover, the Commission has ample regulations and safeguards in place to protect consumers.²² Sections 201 and 202, for example, remain as prophylactic measures to safeguard consumer interests.²³ CMRS providers are required under these sections to: 1) charge all consumers, regardless of geographic location, just and reasonable and not unreasonably discriminatory rates; and 2) refrain from unjust or unreasonably discriminatory practices. These obligations coupled with competitive market conditions are more than adequate to ensure that consumers are protected. To the extent any CMRS provider engages in unreasonably discriminatory practices, consumers can seek redress via the Section 208 complaint process.²⁴ If

²² See PCIA Petition for Reconsideration at 4-5 (stating “While Section 10 requires the Commission to ensure that enforcement is not necessary to protect consumers, the Commission must recognize that, in addition to the vast protections afforded consumers in a competitive market, consumers are further safeguarded by state and federal laws and regulations specifically targeted at consumer protection and administered by authorized agencies with particular expertise.”).

²³ 47 U.S.C. § 201, 202.

²⁴ 47 U.S.C. § 208.

a particular geographic area appears to be the subject of such practices, the FCC has the power to remedy that problem as well. Further, if the Commission at some point in the future determines that forbearance from rate integration requirements is no longer in the interest of consumers, it may reestablish rate integration requirements for CMRS providers.

C. Forbearance From Applying Rate Integration Requirements Is Consistent With The Public Interest.

Forbearance would serve the public interest. The reality is a decision not to forbear from rate integration requirements would produce adverse consequences. Carriers would be forced to charge identical, non-competitive rates. Consumers would be harmed because they would no longer benefit from the pricing changes now prevalent in the market²⁵ and, ultimately, would pay higher rates than otherwise for CMRS. Further, carriers would have little incentive to develop and deploy innovative CMRS offerings because they would lack the pricing flexibility to respond to market-specific demands. In addition, enforcement of rate integration obligations would increase carriers' administrative and regulatory costs because carriers would have to spend significant time and resources verifying compliance with rate integration requirements every time they changed prices. This burdensome activity would be counterproductive and divert attention from carriers' primary goal which is to satisfy consumer demand.

* * *

Applying the full panoply of rate integration obligations to CMRS providers would be a step backwards. Congress, in adopting Section 254(g), clearly could not have intended to impose new regulatory requirements on CMRS operators, which, in essence, would hamper the immense

²⁵ See Attachment 1; *Yankee Group Study* at 1-3.

growth and development of the wireless industry. Consumer demand and competition will intensify as long as CMRS carriers retain the necessary tools to respond to changes in the marketplace. The Commission, therefore, should not undermine its deregulatory approach, but rather focus its energies on promoting and fueling the competitive forces present in the CMRS marketplace. Accordingly, the Commission should exercise its authority under Section 10 of the Act and forbear from applying Section 254(g) to CMRS providers.

III. IN THE EVENT THE COMMISSION DETERMINES THAT BROAD FORBEARANCE IS NOT WARRANTED, AT A MINIMUM, IT SHOULD FORBEAR FROM APPLYING RATE INTEGRATION TO WIDE-AREA CALLING PLANS, ACROSS AFFILIATES, AND TO AIRTIME AND ROAMING RATES.

As PCIA demonstrated above, forbearance from application of rate integration requirements to CMRS providers is warranted in light of the competitive conditions in the CMRS marketplace. If, however, the Commission denies broad forbearance, at a minimum, the record requires the Commission to forbear from imposing its rate integration requirements on wide-area calling plans, across affiliates, or on airtime and roaming rates.

A. Forbearance From Rate Integration Is Warranted For Wide-Area Calling Plans.

1. Enforcement is not necessary to ensure rates are just and reasonable and not unreasonably discriminatory.

Enforcement of rate integration requirements is not necessary to ensure that wide-area calling plans, such as national and regional all-inclusive rate plans, are just and reasonable and not unreasonably discriminatory. Indeed, at least one report demonstrates that price homogenization over large areas is the trend in the wireless markets.²⁶ In most markets,

²⁶ *Yankee Group Study* at 4.

consumers can choose from several wide-area calling plans. For example, AT&T offers Digital One, an all-inclusive rate plan that charges one monthly fee and one flat rate anywhere in the 50 states.²⁷ Bell Atlantic Mobile offers a similar national plan, SingleRate USA, and a regional plan, SingleRate East, from Maine to Georgia.²⁸ Other providers, such as Sprint PCS and GTE, offer national plans that charge a single rate for in-network calls.²⁹ Naturally, consumers will be drawn to the most economic and innovative service packages. CMRS providers, therefore, have to price and market their CMRS offerings aggressively to attract and retain consumers and thus can ill afford to charge unreasonable prices or engage in anticompetitive conduct.

2. Enforcement is not necessary to protect consumers.

Alaska and Hawaii have expressed concern that failure to apply rate integration requirements to wide-area plans could result in discriminatory treatment of consumers in insular markets.³⁰ Moreover, Sections 201 and 202 of the Act are adequate to ensure that CMRS providers do not unreasonably discriminate against consumers in any market, including non-contiguous markets. While every wide-area calling plan may not encompass Hawaii or other insular markets, wide-area calling plans are and will continue to be available to these consumers. Indeed, evidence in this proceeding indicates that there are at least six CMRS providers serving

²⁷ *Id.* at 8.

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Further Notice* ¶ 15.

Hawaiian consumers.³¹ The bottom-line is consumers benefit the most when providers have the flexibility to respond to consumer demands and needs on a market-by-market basis.

3. Forbearance is consistent with the public interest.

Forbearance from imposing rate integration requirements on wide-area calling plans would promote the public interest. Consumers enjoy and have benefited from the diverse wide-area calling plans available in the marketplace, as evidenced by the dramatic increase in wireless subscribership in 1998. These popular offerings were developed and deployed absent enforcement of rate integration requirements. Imposing such requirements at this juncture would be a step in the wrong direction. Such enforcement would result in a one-size-fits all approach that would force CMRS providers to discontinue offering wide-area calling plans, resulting in fewer choices for consumers.

B. Forbearance From Imposing Rate Integration Across Affiliates Is Warranted.

1. Enforcement is not necessary to ensure just and reasonable rates.

Rate integration across affiliates is not necessary to ensure just and reasonable rates. Forcing all related carriers to adopt identical rates for CMRS services would remove carriers' incentive to compete aggressively in the CMRS marketplace and ultimately deprive consumers of creative pricing options. The Commission, therefore, should continue to allow the marketplace to dictate prices for CMRS.

³¹ See Petition for Clarification, Further Reconsideration, and Forbearance of the Cellular Telecommunications Industry Association, CC Docket No. 96-61, at 10 n.15 (filed Oct. 3, 1997).

2. Enforcement is not necessary to protect consumers.

Applying rate integration across affiliates is unnecessary to protect consumers. Competition is an effective watchman to safeguard consumer interests. In a competitive environment such as the CMRS marketplace, carriers are exerting tremendous effort to distinguish themselves from competitors. The only way carriers can do this successfully is to offer consumers creative CMRS offerings and innovative pricing options—clear consumer benefits. Rate integration across affiliates assuredly would harm consumers because it would impede the ability of affiliates to introduce packages and pricing targeted at different market niches. Moreover, as discussed above in Sections I(B) and II (A)(2), Sections 201, 202, and 208 remain in place to protect consumers.

3. Forbearance would serve the public interest.

The CMRS marketplace has developed tremendously in a deregulatory environment. Forbearance from rate integration across affiliates would preserve this competitive environment by giving carriers the maximum flexibility to compete aggressively in response to consumer demand. Further forbearance would serve the public interest by spurring new entrants into the marketplace, driving down prices for CMRS offerings, and hastening the introduction of innovative services into the marketplace.

C. Forbearance Is Warranted For Airtime And Roaming Charges.

Forbearance from applying rate integration to airtime and roaming charges is warranted. First, healthy competition in the marketplace will ensure that airtime and roaming charges are just and reasonable. CMRS providers are competing head-to-head to gain a foothold in the marketplace. As former Commissioner Chong stated, “cellular carriers compete vigorously in

their marketing efforts on the basis of their roaming footprint and roaming rates.”³² In fact, many CMRS providers now offer service packages that charge no fee for roaming to attract consumer business. Unreasonable rates clearly would drive away consumers. Thus, CMRS providers will price CMRS offerings reasonably and competitively to simply survive in the marketplace.

Second, rate integration for airtime and roaming charges is not necessary to protect consumers. Consumer demand for discounted airtime and roaming packages is high. To satisfy this demand, CMRS providers will continue to deploy ingenious pricing packages into the marketplace. Thus, market forces will ensure that consumer interests are protected. Moreover, as described above, Sections 201, 202 and 208 remain as prophylactic measures to safeguard consumer interests.

Third, forbearance from rate integration for airtime and roaming charges would serve the public interest. Forbearance would give these carriers the crucial flexibility needed to price their services competitively and distinguish their CMRS offerings from competitors.

* * *

Accordingly, the Commission should exercise its authority under Section 10 and, at a minimum, forbear from applying rate integration requirements to wide-area calling plans, across affiliates and to airtime and roaming charges. Such forbearance would preserve competition, foster continued growth in the marketplace, and encourage the rapid deployment of new and innovative CMRS offerings.

³² *In the Matter of Interconnection and Resale Obligations Pertaining to Commercial Mobile Radio Services*, Second Report and Order and Third Notice of Proposed Rulemaking, 11 FCC Rcd 9462, 9500 (1996) (separate statement of Commissioner Chong).

IV. THE COMMISSION SHOULD NOT REQUIRE CARRIERS TO INTEGRATE CELLULAR AND PCS SERVICES.

The rates for cellular and broadband PCS services should not be integrated. Cellular and broadband PCS services are proving to be effective competitors against each other.³³ In the *Third Annual CMRS Competition Report*, the Commission acknowledged studies finding that competition between cellular and broadband PCS has resulted in significant reductions in prices for mobile telephony services.³⁴ Indeed, one series of quarterly surveys from 1997 found that cellular prices dropped between 15 and 34 percent due to competition from broadband PCS operators.³⁵

Another study found that, in markets where both cellular and broadband PCS providers operate, rates for cellular service are between 15 and 18 percent lower than cellular rates in markets where no broadband PCS operators compete.³⁶ The bottom-line is broadband PCS operators have put downward pressure on cellular prices. Integration of cellular and broadband PCS would halt this trend because providers of these two classes of services would no longer be able to offer consumers the diverse service offerings and pricing plans currently available for these services.

Moreover, as the Commission recognized in the *Further Notice*, it has never required wireline interexchange carriers to integrate rates for different classes of services.³⁷ There is no

³³ See PCIA Petition for Reconsideration at 6-8.

³⁴ *Third Annual CMRS Competition Report* at 20.

³⁵ *Id.* at 20.

³⁶ *Id.* at 19.

³⁷ *Further Notice* ¶ 32.

reason for the Commission to impose such a requirement in the CMRS context, particularly since competition between PCS and cellular services has proven beneficial to consumers via lower rates and varied service offerings.

V. CONCLUSION

For the foregoing reasons, the Commission should forbear from imposing any rate integration requirements on CMRS providers. Market forces, coupled with current Commission safeguards, are sufficient to ensure that rates are just and reasonable and not unreasonably discriminatory, to protect consumers, and to serve the public interest. If, however, broad forbearance is not granted, at a minimum, the Commission should forbear from applying rate integration to wide-area calling plans, across affiliates, or to airtime and roaming charges. Further, PCIA asks that the Commission refrain from requiring the integration of PCS and

cellular services. Competition between these two classes of services has produced significant benefits for consumers, namely lower rates and increased service offerings.

Respectfully submitted,

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ATTACHMENT 1

Changes Made System-Wide Vs. On A Local Or Regional Basis 4/98 Through 3/99

		April-June '98	July-Sept. '98	Oct.-Dec. '98	Jan.-Mar. '99	April-June '99	Total Chgs
		S/L	S/L	S/L	S/L	S/L	
Aerial	S	0	0	1	1	2	7
	L		0	3	1	5	
AirTouch	S	0	0	0	1		16
	L	6	6	4	2	16	
ALLTEL	S	0	1	0	0	1	11
	L	0	1	3	6	10	
Ameritech	S	1	1	0	2	2	11
	L	3	1	3	0	7	
AT&T	S	1	0	0	0	1	38
	L	6	4	11	16	37	
Bell Atlantic	S	0	1	0	0	1	19
	L	6	2	7	3	18	
BellSouth	S	0	0	0	0	0	14
	L	3	4	4	3	14	
GTE	S	0	0	0	2	2	19
	L	6	3	3	5	17	
Omnipoint	S	0	1	0	0	1	9
	L	1	1	4	2	8	
Powertel	S	0	0	0	0	0	0
	L	0	0	0	0	0	
Primeco	S	0	0	1	1	2	7
	L	2	3	0	0	5	
SBC	S	0	0	0	1	1	19
	L	5	8	5	0	18	
Sprint	S	0	0	2	2	4	11
	L	7	0	0	0	7	
Western Wls.	S	2	0	0	0	2	7
	L	0	2	0	3	5	
Quarterly Total S		4	4	4	10		22
Quarterly Total L		43	35	47	41		166
Total Chgs 4/98 thr 3/99		47	39	51	51		188

Annual Average S Changes per Carrier	1.57
Annual Average L Changes per Carrier	11.86
Quarterly Average of Pricing/Promotional Changes per carrier	3.36
Annual Average of Pricing/Promotional Changes per carrier	13.43

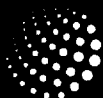
Notes:

S= the # of price promotional or changes offered across most or all of a carrier's system

L= the # of cities or regions with a price or promotional change

Analysis excludes wireless & wireline bundling, includes both increases and decreases in price and doesn't double count national price changes that result in local price changes.

Compiled from The Robinson-Humphrey Company's quarterly survey entitled *PCS vs. Cellular: A Quarterly Survey of Wireless Pricing in Markets Where PCS Operators Have Begun Service*.



Year-End 1998 Wireless Industry Update: The Impact of All-Inclusive Rates

Executive Summary

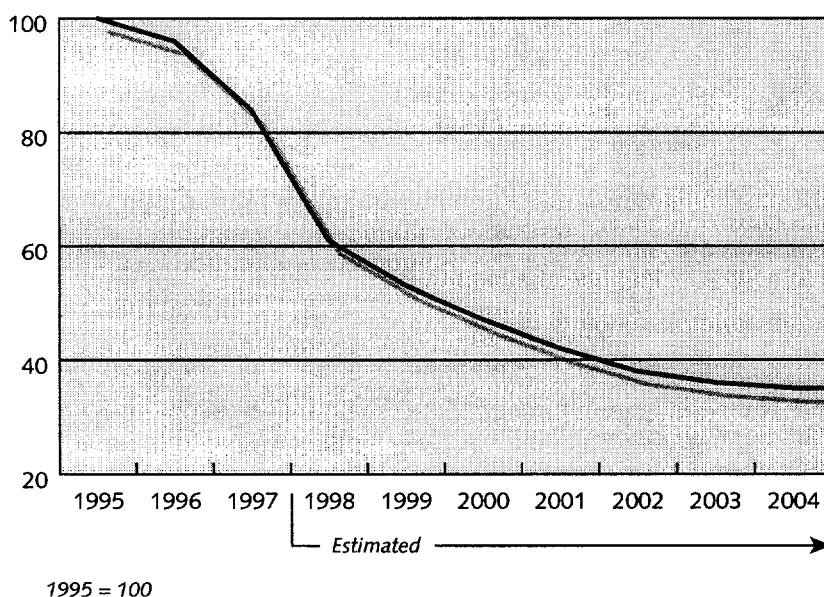
Price homogenization is the unmistakable theme in the wireless industry in 1998. Nextel was the first wireless operator to offer no roaming charges; Sprint tested the market for no roaming and no long-distance charges by offering optional features such as Home Rate USA and Toll Free USA for \$4.99 and \$19.99 per month, respectively, starting in early 1998; AT&T truly revolutionized the conventional pricing scenario with the introduction of its Digital One Rate plan, offering a flat rate for all calls from anywhere to anywhere in the United States, on or off its analog or digital network. The tremendous success enjoyed by AT&T's Digital One Rate plan, which has added an average of 100,000 customers per month since its introduction in May, has enticed other carriers to introduce their own version of "one rate," or all-inclusive plans.

Our latest price analysis shows that the voice communications service industry is moving closer to wireline displacement as carriers slash roaming and long-distance charges and local airtime time rates continue to decline. We are also seeing these new, differentiated rate plans having an important effect on the industry overall. Exhibit 1 shows the Yankee Group's Wireless Price Index has declined by 40% since 1995 and is expected to decrease by an additional 40% by 2004.

Exhibit 1

Yankee Group's Wireless Price Index: 1995-2004

Source: the Yankee Group, 1998



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I. Wireless Consumer Price Index: The Bundled Price per Minute Continues to Fall

The introduction of digital cellular and personal communications services (PCS) technologies by competing operators, in 1996 and 1997, respectively, broke the duopoly structure of the U.S. cellular market enjoyed by incumbent carriers. As the market has matured, ever-increasing nationwide competition has triggered a free-fall in wireless prices.

Looking back at wireless pricing trends, we see a systematic and orderly reduction in prices across all carriers starting with a reduction in off-peak minutes, time during which networks were unused and therefore the incremental cost of each additional minute was very low. Then, as PCS carriers deployed their new digital networks, peak-minute pricing started to fall. PCS providers introduced large bundled minute packages at low prices to attract customers and fill their empty networks. Incumbent cellular carriers followed suit once their digital networks were up and running. Now, roaming and long-distance rates are falling. Carrier such as AT&T and Sprint are leveraging their near-nationwide wireless footprint and long-distance network to offer comprehensive rate plans that have shaken the wireless pricing structure and created a challenge for regional wireless operators.

The Yankee Group has used the Bundled Price per Minute (BPPM) model to track wireless rate plans offered by carriers in the top 25 cellular/PCS U.S. markets (our second quarter wireless industry update details the methodology).

Tracking these markets on a quarterly basis for the past two years has allowed us to create the Wireless Bundled Price Index to illustrate the fluctuation in wireless prices, as shown in Exhibit 1. To derive the Wireless Bundled Price Index we use the weighted average BPPM rate for each year, weighted by minutes of use (MOU) level and technology usage split, and index it to 100 starting in 1995. We also forecast it out to 2004 by analyzing our historical data and current market trends. The BPPM rates here are for local calls only. Later in this Report, we posit some BPPM scenarios that add roaming and long-distance charges.

Our analysis shows a weighted average price per minute of \$0.34 for year-end 1998, falling to only \$0.18 in 2004. This represents a 40% decline in average price levels from 1995 to present and an additional 40% decline is estimated by 2004.

II. Third Quarter: More Price Cuts

The Yankee Group's research shows that third quarter wireless pricing was no exception to the current decreasing trends. Exhibit 2 shows the quarterly changes highlighting the following trends:

- Overall, the greatest decrease in digital and PCS pricing occurs at high MOU levels, namely 250 MOU and above.
- Digital cellular prices are falling faster than PCS prices demonstrating digital cellular carriers' efforts to compete with the aggressive minute bundles originally offered by the PCS carriers.
- Analog prices remain stable at low MOU usage levels, but have significantly increased at high MOU levels as some cellular carriers have eliminated analog plans that offer many bundled minutes.

Exhibit 3 emphasizes that digital cellular technologies are being positioned to compete with PCS services. Deployment of digital technology has allowed incumbent cellular carriers to offer more bundled minutes in their various digital-rate plans. PCS and digital cellular service plans are most competitive at high usage levels. At 500 MOU, PCS and digital cellular service offer a 49% and a 38% discount versus the best analog plan, respectively.

PCS carriers offer the best average price-per-minute at all usage levels, closely followed by digital cellular, and then by analog cellular plans for the top 25 U.S. markets (see Exhibit 4). As usage level increases, the difference in prices between digital cellular and PCS plan converges, while the gap between analog rates and digital cellular/PCS rates becomes larger.

Exhibit 2
Quarterly Percentage Change in Wireless Prices (2Q98 vs. 3Q98)
(Top 25 Markets, BPPM)

Source: the Yankee Group, 1998

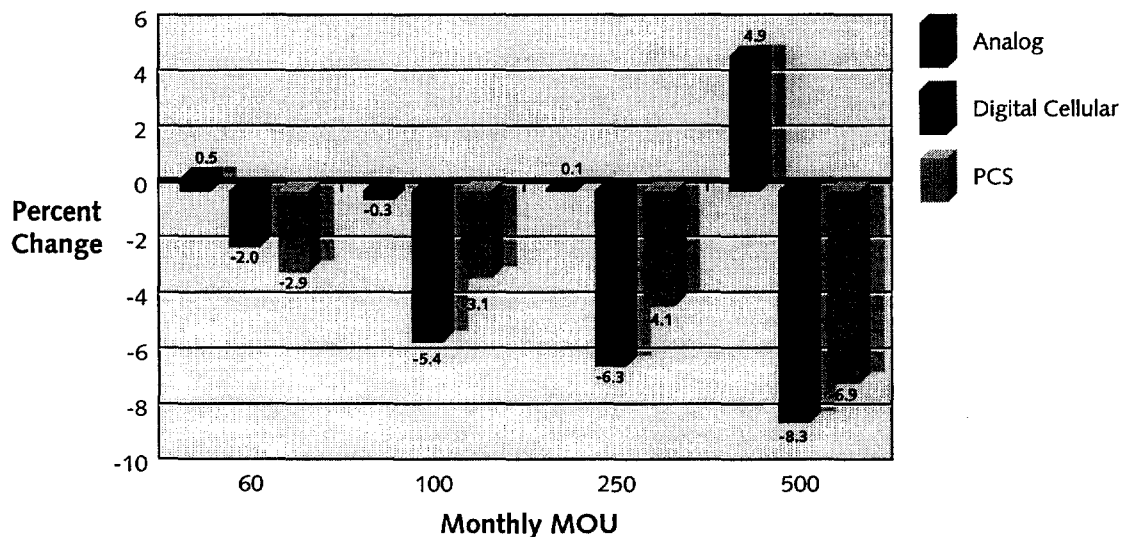
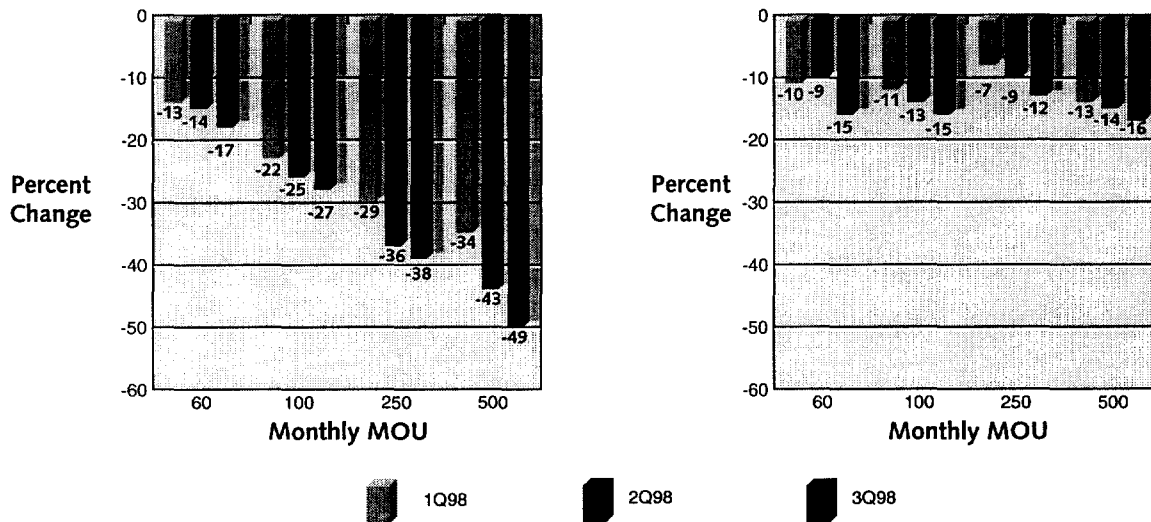


Exhibit 3**PCS Discount vs. Analog and Digital Cellular Service Plans
(Top 25 Markets, BPPM)**

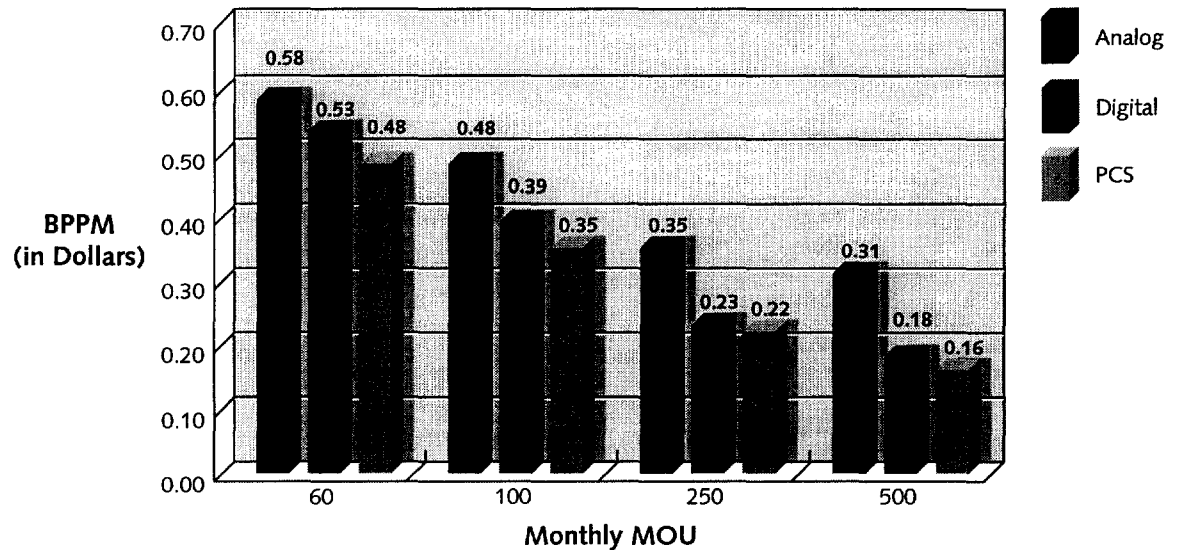
Source: the Yankee Group, 1998

**III. Diversity Is Out—Homogeneity Is In**

Decreasing prices in the wireless industry is old news. **The newest trend in wireless communications services is a move toward homogeneous pricing.** For some time, carriers have seized to differentiate between rates for peak and off-peak minutes. Recently, carriers have been moving toward fixed roaming and long-distance charges. AT&T Wireless Services revolutionized wireless pricing when it announced the Digital One Rate plan, *eliminating roaming and long-distance charges for calls made anywhere in the United States, on or off their digital or analog network.*

We have looked at the various all-inclusive and standard plans that include some form of roaming and long distance (offered by carriers nationwide). We can classify them into four distinct types:

- *Anywhere, All-Inclusive Rate Plans*—One monthly fee and one flat rate for all usage in excess of the minute bundle, including calls on or off the network anywhere in the 50 states—triumphed by AT&T.
- *In-Network Roaming All-Inclusive*—One monthly fee and one flat rate for all usage in excess of the minute bundle, including local and long-distance calls made on the network. Out-of-network roaming charges are fixed at a predetermined rate. The advantage to this type of plan is subject to the footprint of the carrier and whether the subscriber is likely to roam off the network. For example, Sprint has a near-national footprint, while Bell Atlantic Mobile has a regional northeastern footprint.
- *No Roaming Charge*—Some carriers may offer no roaming charges anywhere on their network (PrimeCo) or anywhere in the United States, but will charge the customer for long distance. For example, some GSM and PCS operators offer, as a part of their standard plans, no extra in-network roaming charges.

Exhibit 4**Wireless Pricing Levels in the Top 25 US Markets, as of 3Q98***Source: the Yankee Group, 1998*

MOU	Analog Cellular	Digital Cellular	PCS
60	\$0.58	\$0.53	\$0.48
100	\$0.48	\$0.39	\$0.35
250	\$0.35	\$0.23	\$0.22
500	\$0.31	\$0.18	\$0.16
Weighted Average	\$0.48	\$0.35	\$0.25

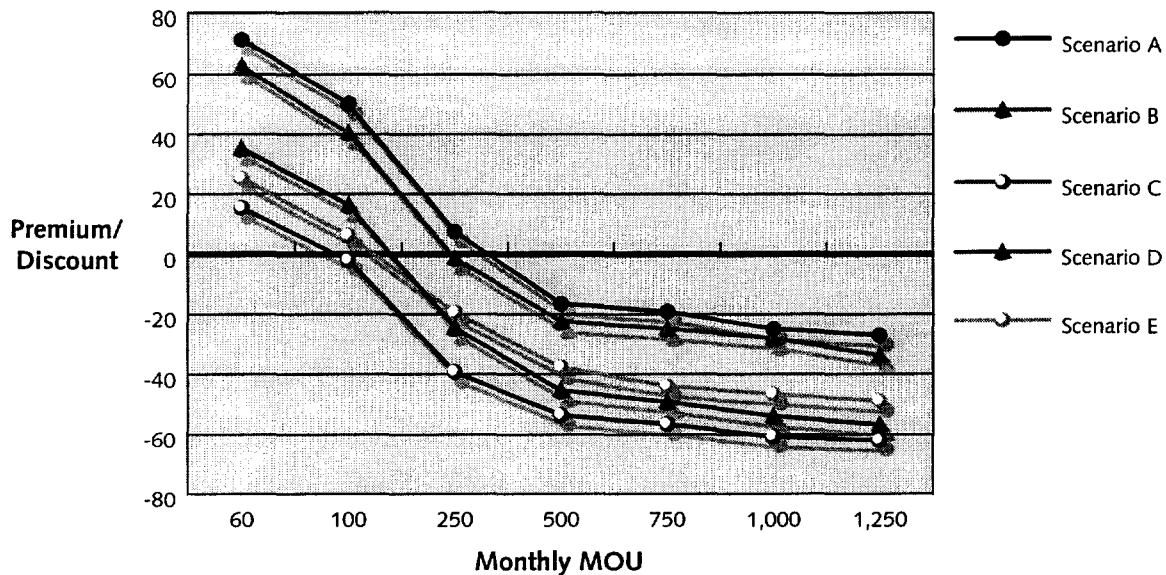
- *No Long Distance*—Some regional carriers who cannot afford low roaming rates may try to attract customers by offering bundles of discounted long-distance minutes (Powertel).

Pricing Analysis: All-Inclusive Rate Plan

We have modified our proprietary Bundled Price per Minute Model to analyze the cost of current roaming and long-distance (LD) rates and to test several different scenarios, from heavy local usage to a high roaming/LD orientation. We compared various all-inclusive rate plans to standard plans in order to determine the usage level, and the local, roaming, and long-distance usage mix under which it makes economic sense to consider an all-inclusive rate plan.

Our results are summarized in Exhibit 5. Significant data points include:

- For low-end users averaging 100 monthly MOU, standard-rate plans are considerably cheaper under any scenario.

Exhibit 5**All-Inclusive Flat Rate vs. Standard Rate Plans Premium/Discount***Source: the Yankee Group, 1998***Usage Mix**

Scenario	A	B	C	D	E
Local	85%	70%	20%	20%	20%
Long Distance	15%	10%	60%	10%	10%
In Network	0%	10%	10%	60%	10%
Out Network	0%	10%	10%	10%	60%

- At 500 MOU, assuming only 15% long-distance usage without any roaming, an all-inclusive rate plan is 16.6% cheaper than the standard plans available.
- The amount of local usage is a key driver in determining the economic advantage of all-inclusive rate plans.
- All-inclusive rate plans are the best option for wireless users with a high roaming or long-distance orientation starting at 90 monthly MOU.

We used pre-established out-of-network roaming rates, ranging from \$0.50 to \$0.99, obtained when carriers sign roaming agreements outside their coverage area. Roaming into areas where your carrier has no roaming agreement can prove to be very costly: rates can range anywhere from \$1.00 to \$3.00 per minute plus an administration fee. In this scenario, out-of-network roaming becomes the most important consideration when choosing between carriers and their standard or all-inclusive rate plans, even when it accounts for as little as 15% of total usage. In addition, depending on the network agreement, out-of-network roaming can carry an additional long-distance charge.

Pricing has also been equalized between cities:

- Among the top 25 cities, the BPPM average range from the least to the most expensive city dropped from \$0.18 in the second quarter of 1998 to \$0.13 in the third.
- As of the end of the third quarter of 1998, only one city, New York, averaged over \$0.40 BPPM; there were eight such cities during the second quarter.
- The three *most* expensive cities for wireless are New York, Los Angeles, and Dallas; the three least expensive are St. Louis, Philadelphia, and Portland, Oregon.

We certainly applaud the major carriers for continually chipping away at roaming rates. This will place greater pressure on the cellular holdouts such as Ameritech and BellSouth, as well as second-tier carriers, to reduce roaming charges. Overall, consumers, if they can navigate their way through the sea of plans and options, are the major beneficiaries.

Exhibit 6 outlines rate plans from carriers such as AT&T and Sprint, offering comprehensive “All-Inclusive” rate plans, as well as plans offered by other regional and PCS carriers that have some flavor of comprehensive pricing.

As the largest wireless carrier in the U.S. and a leading long-distance operator, AT&T has an advantage over other wireless operators. AT&T Wireless’s combined analog and digital footprint provides much broader coverage than any other carrier. In addition, AT&T can leverage its role as a major analog roaming partner to many A-Band cellular companies to negotiate favorable roaming rates onto other carriers’ networks, enabling them to offer the Digital One Rate Plan. **The success of AT&T Wireless’s Digital One Rate plan, which has attracted over 500,000 subscribers in the first five months, has incited a number of major carriers to launch counter marketing strategies with their own unique flavors.**

Bell Atlantic Mobile (BAM) launched the most direct attack on AT&T’s Digital One Rate with its SingleRate service plans. BAM’s emphasis is on its SingleRate East plans, covering 55 million domestic cellular POPs: BAM is leveraging its Maine-to-Georgia coverage, citing that more than 75% of its call traffic is in its East Coast footprint, as well as its 80% digital POP availability. The main differentiation from AT&T’s Digital One Rate are the lower entry price points. We believe BAM will be successful in opening new market segments for these types of all-inclusive plans, providing particular incentive for all but low-end analog subscribers to switch to digital.

Like AT&T, Sprint can leverage its near-nationwide footprint and long-distance network to offer near-nationwide all-inclusive plans. For intra-Sprint network usage, this is the least expensive broad-based plan available in the country. However, as a PCS carrier, offering free roaming onto analog is not economically feasible.

BAM’s new rate plans are best suited for high MOU customers who make a healthy combination of long distance and roaming calls in the Eastern corridor. Surprisingly, Omnipoint now offers the best service package for combined in-and-out-of-network roaming where there is GSM coverage. Sprint is still generally the least expensive service in most of its markets for those on the right type of plan who don’t venture too often into analog territory. AT&T Wireless, which must be credited for thinking outside the box and using its supercarrier leverage to give it a needed market boost, eventually might have to provide an entry point lower than \$90.

Exhibit 6

A Bevy of New "All-Inclusive" Plans

Source: the Yankee Group, 1998

Carrier	Roaming/LD All-Inclusive Rate Plans
AT&T	Digital One Rate offers a complete bundle with no additional cost for roaming and LD starting at \$89.99 for 600 minutes. Calls can be made from anywhere to anywhere in the 50 states. Additional minutes cost \$0.25.
Bell Atlantic Mobile	SingleRate East offers no roaming and no LD anywhere on BAM's network from Maine to Georgia. BAM's entry point begins at \$39.99 for 60 minutes in New York and 90 minutes in Boston. Off network roaming costs a flat \$0.50 per minute. SingleRate USA rivals AT&T's Digital One Rate with a complete bundle including roaming and LD in the 50 states for \$159.99 for 1600 minutes and \$0.20 for each additional minute.
Sprint PCS	Nationwide plans starting at \$69.99 for 600 minutes, including in network roaming and LD. Off-network roaming cost a flat \$0.69 per minute. Sprint also offers in-network roaming at no additional cost on all of its standard plans.
AirTouch	For an extra \$10.00 per month, subscribers on rate plans with 250 minutes and above pay no additional roaming charges in the 50 states. Digital Traveler plan in 10 Western states (not California) offers a range of 450 anytime minutes for \$59.95/month up to 2,000 minutes for \$209.95 at no extra fee.
Omnipoint	Offers simplified rate plans with no in-network charges and low flat long distance from anywhere on their network to anywhere in the United States, Canada, Puerto Rico, or the U.S. Virgin Islands. Omnipoint also offers a flat \$0.49 per minute for off-network roaming calls to anywhere in the United States, Canada, Puerto Rico, or the U.S. Virgin Islands.
Aerial	Aerial Traveling Service offers roaming for a flat \$0.49 per minute plus applicable long-distance charges. Service only available where there is GSM coverage.
GTE	Its national plans offer a reduced off-network roaming charge of \$0.59 per minute. Extended local calling area throughout California.
PBMS	Free roaming in its California and Nevada network.
BellSouth DCS	Roaming on its GSM network is offered at no additional cost as part of its standard rate plans. Off-network roaming costs a flat \$0.45 per minute, plus an additional \$3.50 per month when you roam.
PrimeCo	No extra charge for calls made to extended state-wide calling area in Texas and Florida. Home rates applied when traveling to anywhere on the PrimeCo network.

With the exception of BAM, none of the RBOC-based wireless carriers offers any type of plan that can rival AT&T's, Sprint's, or BAM's nationwide rate plans. BAM also leads the pack with the introduction of its East Single Rate Plans. Pacific Bell leverages its regional coverage in California and Nevada; Southwestern Bell offers free long distance anywhere in the United States; US WEST has fixed rates for long distance and roaming calls; while Ameritech offers a 25% discount on long-distance calls. In sum, this tells us the RBOCs should get their act together and leverage their regional coverage

to offer more comprehensive plans in order to compete with all-inclusive plans, at least on a regional basis. Their advantage over other pure play wireless carriers is that they have an established brand name in the local market, and they can work toward a unified billing solution (wireline and wireless services) as a differentiator. Pure play wireless carriers, namely GSM operators, will have the most difficulty in offering streamlined regional comprehensive roaming as their market coverage is usually patchy.

IV. Impact on Carrier Performance

Carrier performance during the third quarter of 1998 was clearly affected by these new rate structures as shown in Exhibits 7 and 8. AT&T Wireless registered 55% year-on-year revenue growth, outperforming all wireless carriers. Sprint PCS had among the highest annualized penetration gains in the PCS category. More apparent was the negative effect on some carriers, notably some of the PCS “pure plays,” such as Aerial and Omnipoint. The established RBOC-based cellular carriers registered rather anemic (compared to historical) revenue gains, averaging about 10% over last year’s third quarter results. SBC Wireless (not including PBMS or SNET) was at the bottom of the list among large cellular carriers, with subscriber gains of 7.6% and revenue gains of only 0.8%. Some of its Cellular One properties, notably Boston and Washington, D.C., are losing market share at a faster than average pace. The company’s job will not get easier as it tries to homogenize four disparate wireless networks.

Churn remains stubbornly high among the PCS carriers. Even though PCS usage rates continued to be double or triple that of cellular, the continued high cost per subscriber—add and churn, plus falling revenue per minute has led to Wall Street’s continued bearish treatment of wireless carriers. One approach to dealing with this has been the return of contracts. Many of the all-inclusive type rate plans require a minimum one year contract.

Digital Marches On

Our overall industry analysis reveals that digital has taken hold:

- As of the end of the third quarter, 20% of the wireless industry’s installed subscriber base is digital.
- A startling 94% of net adds were digital.
- PCS jumped from 27% of industry net adds in the second quarter to 44% in the third.

V. Landline Displacement Becoming a Reality

Landline displacement stories are becoming more than an occasional anecdote, as these roam- and long-distance-free price plans compare quite favorably to some pay phone, calling card, and even landline intraLATA long-distance rates, especially considering the added convenience of mobility. **The Yankee Group believes displacement from wireline to wireless begins to occur when the wireless to wireline price ratio is 3-to-1 or less.** This has been shown in countries such as Israel, Japan (PHS), and some Scandinavian wireless markets. The Yankee Group defines this ratio as the wireless premium.

Exhibit 7

Quarterly Industry Performance: Subscriber Growth

Source: the Yankee Group, 1998

	4Q96	1Q97	2Q97	3Q97	4Q97	1Q98	2Q98	3Q98
Total Cellular/PCS Subscribers (Thousands)	41,841	44,253	46,837	49,116	53,349	56,085	59,197	61,984
Industry Quarterly Growth Rate		5.8%	5.8%	4.9%	8.6%	5.1%	5.5%	4.7%

PCS Subscribers (Thousands)

GSM	284	440	645	954	1,328	1,626	1,997	2,314
CDMA 1.9	38	138	365	585	1,092	1,476	1,873	2,431
TDMA 1.9	0	0	10	30	100	153	221	581
Total PCS Subscribers	322	578	1,019	1,569	2,520	3,254	4,091	5,326
PCS Quarterly Growth Rate		80%	76%	54%	61%	29%	26%	30%
PCS Subscribers as Percent of Total	0.8%	1.3%	2.2%	3.2%	4.7%	5.8%	6.9%	8.6%
Percent of Net Adds That Were PCS		10.6%	17.4%	22.2%	23.3%	26.8%	26.9%	44.3%

Digital Cellular Subscribers (Thousands)

CDMA 800	0	80	168	285	522	892	1,302	1,842
TDMA 800	1,310	1,626	1,873	2,209	2,793	3,467	4,677	5,498
Total Digital Cellular Subscribers	1,310	1,706	2,041	2,494	3,315	4,359	5,980	7,340
Digital Cellular Quarterly Growth Rate		30.2%	19.6%	22.2%	32.9%	31.3%	36.8%	23.3%
Digital Cellular Subscribers as Percent of Total	3.1%	3.9%	4.4%	5.1%	6.2%	7.8%	10.1%	11.8%
Percent of Net Adds That Were Digital Cellular		16.4%	13.2%	18.5%	20.0%	38.2%	52.1%	49.8%

Digital Subscribers (PCS & Digital Cellular) (Thousands)

GSM	284	440	645	954	1,328	1,626	1,997	2,314
CDMA	38	218	533	870	1,614	2,368	3,175	4,273
TDMA	1,310	1,626	1,883	2,239	2,893	3,613	4,872	6,079
Total Digital Subscribers	1,632	2,283	3,060	4,062	5,835	7,607	10,044	12,666
Digital Subscribers as Percent of Total	3.9%	5.2%	6.5%	8.2%	11.0%	13.7%	17.2%	20.4%
Percent of Net Adds That Were Digital		27.0%	30.5%	40.9%	44.5%	66.5%	79.2%	94.1%

Exhibit 8

Revenue Growth

Source: the Yankee Group, 1998

A. Cellular Carriers

Cellular Carrier	3Q98 Subs (Thousands)	3Q98-3Q97 Year-to-Year Sub Growth Rate	3Q98 Revenues (Millions of Dollars)	3Q98-3Q97 Year-to-Year Revenue Growth Rate
AirTouch (includes UMG)	7,461	22.3%	984	9.3%
Alltel	3,863	14.6%	555	17.6%
Ameritech	3,519	18.5%	445	9.1%
AT&T Wireless	6,809	18.0%	1,420	54.9%
Bell Atlantic Mobile	5,914	16.8%	782	11.9%
BellSouth (not including BellSouth Mobility)	4,542	14.5%	669	11.2%
GTE Wireless	4,685	9.3%	685	6.9%
SBC Wireless (not including PBMS, SNET)	5,340	7.6%	814	0.8%
SNET	483	12.9%	62	N/A
US Cellular	2,018	48.7%	304	34.4%
Vanguard Cellular	678	10.2%	100	5.2%
Western Wireless (Cellular)	620	45.6%	107	35.1%
Weighted Average Growth Rate		16.8%		18.5%

B. PCS Carriers

Criteria	Omnipoint	Aerial	Powertel	PrimeCo	Sprint PCS	Nextel	Western Wireless
Subscribers (Thousands)	274	231	229	700	1,465	2,418	265
Annualized Penetration Gain	0.2%	0.5%	1.3%	1.1%	1.5%		1.5%
ARPU	\$47.00	\$51.00	\$54.15	\$57.00	\$55.00	\$70.00	\$48.04
Monthly MOU per Subscriber	~180	~320	~300	~350	~375	390	~350
Cost Per Gross Add	\$430		\$394	~\$450	~\$650	\$465	\$460
Churn	3.7%	5.6%	4.5%	~3%	~3.0%	1.75%	2.4%
1998 Capex Per Covered POP	\$21	\$34	\$51	~\$50	~\$50	\$32	~\$37

The Yankee Group has modified the BPPM model to compare the all-inclusive and standard wireless rate plans to local and long-distance wireline rates in eight cities across the United States, including New York, Boston, Dallas, Kansas City, San Francisco, Portland, Chicago, and Miami. These cities combined, represent all the RBOCs and a cross section of high-, medium-, and low-priced cities. In the wireline model, we included long-distance rate plans offered by the three major long-distance

carriers, AT&T, MCI, and Sprint. We assumed an average 1,000 wireline MOU, to reflect the fact that, with the exception of New York City, local wireline rates are unmetered, and used this average price-per-minute to compare it to various levels of wireless usage ranging from 60 to 1,200 MOU.

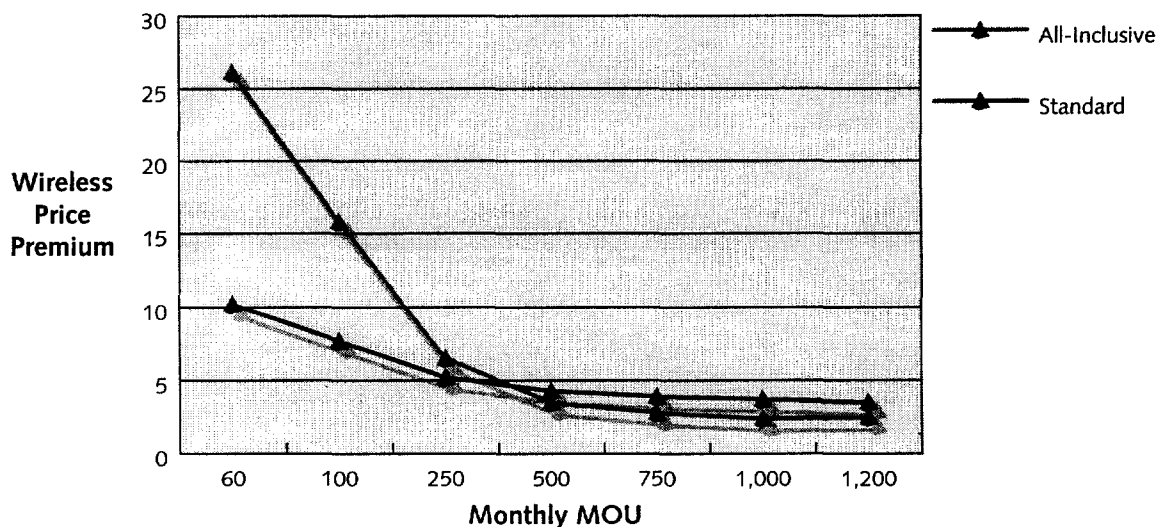
All-inclusive rate plans have really brought the voice communications industry a step closer to wireline displacement. Given our wireless and wireline usage assumptions on local, long distance, and other toll calls, landline migration should begin between 500 and 750 wireless MOU for users on an all-inclusive rate plan, as shown in Exhibit 9. When wireless long-distance usage is high, displacement could happen at even lower usage levels. In addition, home area wireless coverage, offered by both RBOCs and pure play wireless carriers, has a larger footprint than the local wireline coverage area offered by RBOCs, as the wireless BTA/MSAs footprints are larger than wireline LATA footprints. Therefore many intraLATA toll wireline calls are considered local calls on the wireless network, creating another venue for displacement.

VI. Conclusion

In the third quarter we have seen radical changes in the wireless services pricing model, which has had significant repercussions in the wireless industry's competitive structure. As carriers, pricing, and product offerings continue to converge, carriers are struggling to use their competitive advantages to differentiate themselves. SuperCarriers, with a nationwide wireless and long-distance network, have found their niche in offering nationwide wireless service plans. RBOCs should look to leverage their regional presence. Wireless operators such as AirTouch, BellSouth, and GTE who have an extensive global presence could explore global roaming opportunities. AT&T has set a new standard and shaken the U.S. wireless market with its innovative Digital One Rate.

Exhibit 9
Wireless-to-Wireline Premium:
Comparing Standard and All-Inclusive Rate Plans

Source: the Yankee Group, 1998



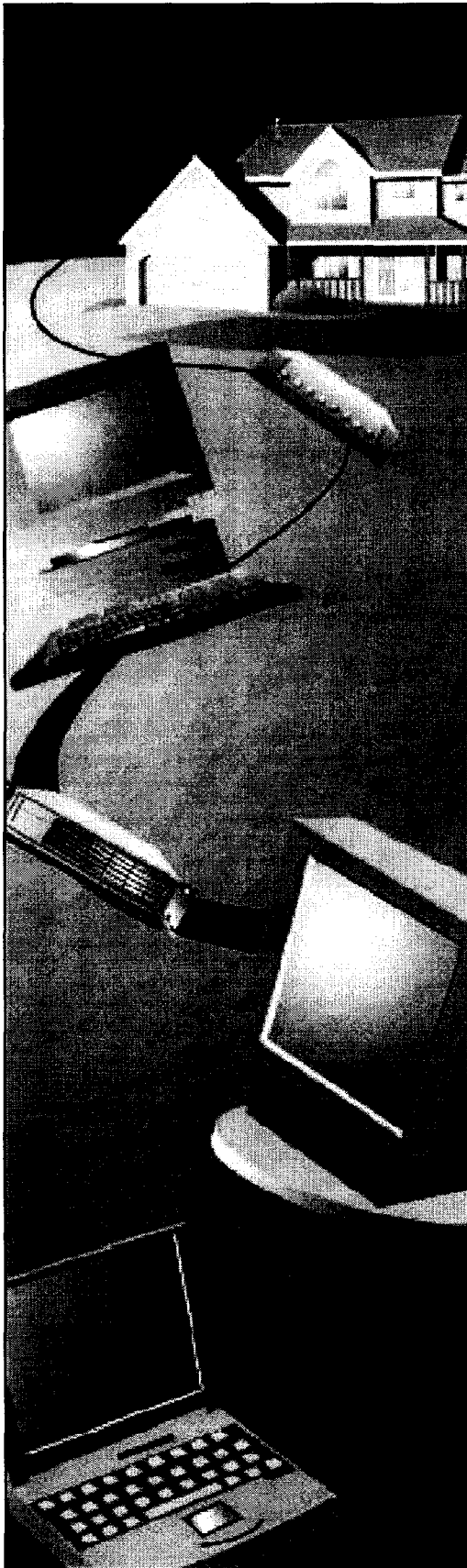
The Yankee Group believes the all-inclusive pricing structure has brought the voice communications markets a step closer to usage migration from landline networks to wireless networks. SuperCarriers are also willing to tolerate reduced margins in their wireless business if there are benefits to their other businesses. For example, Digital One Rate is bringing lots of traffic to AT&T's long-distance network, which is profitable much more quickly than an incremental wireless minute. Cross-promotions will also become more common, like the offer of the AT&T Personal Card to Digital One Rate subscribers.

We don't see retrenchment from these plans in 1999. The industry will continue to consolidate as scale and scope are needed not only to remain competitive on the service side, but, more importantly, to reduce costs.

Further Reading

"The Pricing Elasticity of Wireless: Building the Revenue Model," *Yankee Group Report, Wireless/Mobile Communications North America*, Vol. 6, No. 24, August 1998.

"First-Quarter Wireless Industry Update: Consolidation in the Midst of Competition," *Yankee Group Report, Wireless/Mobile Communications North America*, Vol. 6, No. 10, April 1998.



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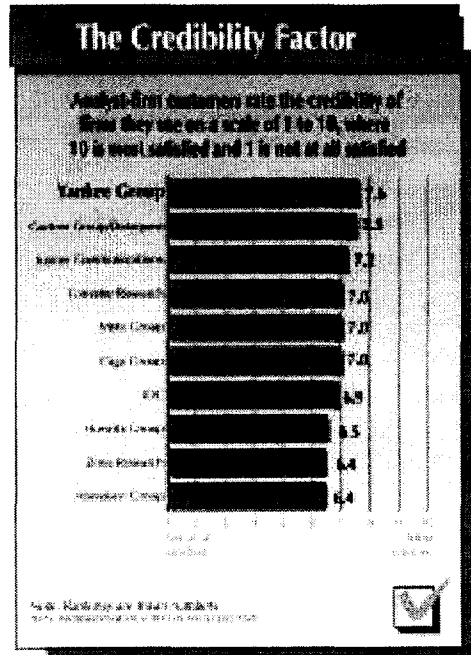
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